**Section 20.570 Ownership**

a) The individuals claiming ownership and control of the applicant business must own at least 51% of the business.

b) The ownership shall be real, substantial and continuing and not simply a matter of form. "Real" is a bona fide investment in the business done at arm's length and in good faith. "Substantial" is the level of investment necessary to initiate or acquire the particular business in light of its value, the business field, the organization of the concern, and the potential sources of outside financing. The following factors, among others, are weighed together to help determine whether ownership is real, substantial, continuing and not a matter of form.

1) How ownership was obtained, including, but not limited to, purchase, gift or inheritance.

2) How substantial was the contribution toward ownership in terms of expertise, money or other such factors? The following are some examples of factors that may indicate insufficient contribution:

A) Minimal cash outlay or personal investment;

B) A promise or agreement to contribute capital;

C) A note payable to the firm or other owners who are not eligible group members;

D) Contributions for services rather than capital, except when services are unique, specialized or of a value commensurate with the ownership value of the services;

E) Payment of contribution with funds loaned by a non-eligible group, former employer or stockholder;

F) No recourse loans when the borrower assumes no liability for repayment upon default; and

G) No recourse stock purchases in which the purchaser assumes no liability upon default of payment other than transaction of shares.

3) How the applicant holds ownership. In terms of stock holdings, the following are factors that may indicate ownership is not as stated:

A) Minimal cash outlay or personal investment;

B) A promise or agreement to buy stock;

C) Stock issued, but not purchased;

D) Stock certificates purchased but not in the possession of the applicant; or

E) Stock held in trust.

4) The applicant must provide documentary proof of ownership, including, but not limited to, the following:

A) Canceled checks or bookkeeping entries;

B) Signed purchase agreements;

C) Stock certificates, transfer ledgers and stockholder agreements;

D) Partnership agreements;

E) Profit sharing agreements; and

F) Buy-out-right agreements.